

United States House of Representatives
Committee on Financial Services
Washington, DC 20515

April 21, 2008

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th & C Streets, NW
Washington, DC 20551

Dear Chairman Bernanke:

As you know, on Wednesday, April 2, the Committee on Financial Services Subcommittee on Domestic and International and Monetary Policy held a hearing entitled, "Proposed UIGEA Regulations: Burden Without Benefit?" to examine the regulations issued last year by your agency and Treasury on the Unlawful Internet Gambling Enforcement Act (UIGEA). At that hearing, the testimony of your representatives and the industry made it clear that the regulations are unworkable. Subsequently, we introduced new legislation, H.R. 5767, which would prohibit their implementation.

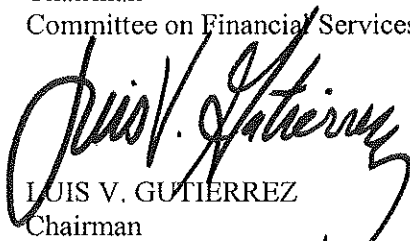
The regulations, like the underlying legislation, fail to define the term "unlawful internet gambling," leaving it to each financial institution to reconcile conflicting state and federal laws, court decisions and inconsistent Department of Justice interpretations, when determining whether to process a transaction. Furthermore, some of the information needed to make this determination would likely be unavailable to banks, because customers or financial institutions in foreign jurisdictions will likely be unwilling or unable to provide it. At the hearing, representatives from your agency and the Federal Reserve admitted that there are substantial problems in crafting regulations to implement the UIGEA in a manner that does not have a substantial adverse effect on the efficiency of the nation's payment system.

Your agency and the Treasury have been struggling to issue these regulations, but as the hearing made clear, the underlying statute makes your job extremely difficult, if not impossible. Given the many other priorities that are pending at your agencies, including the mortgage crisis, HOEPA, and UDAP rulewriting and many other issues, we believe it would be imprudent for you to devote additional agency resources to this Sisyphean task, especially as we intend to vigorously pursue legislation to prevent the implementation of these regulations.

We realize this is not a task you requested. We also appreciate the candor with which your representative answered our questions. In fact, her honest answers and the testimony of the other witnesses confirmed our view that this is an impossible task.



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Chairman
Committee on Financial Services



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Chairman
Subcommittee on Domestic and International
Monetary Policy



RON PAUL
Ranking Member
Subcommittee on Domestic and International
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